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Internal audit and oversight

The UNDP accountability system*

Summary

The present report introduces the enhanced, integrated UNDP accountability system, which includes: (a) a draft accountability framework, and (b) an enhanced oversight policy. UNDP accountability is premised on its responsibility to stakeholders, its programme countries and donors, and its contribution to the achievement of national development priorities. UNDP accountability is operationalized at the country level through its development activities, and at the corporate level through accountability to its Executive Board. The draft accountability framework encompasses organization-wide processes for monitoring, analysing, and improving performance in all aspects of organizational policy, management processes and operational procedures in support of the updated UNDP strategic plan, 2008-2011. The enhanced oversight policy describes how independent internal and external oversight is organized in UNDP to provide assurances to the Executive Board and the Administrator that functional systems of internal controls are in place in the organization. The policy outlines the institutional set-up of independent internal and external oversight bodies (audit and evaluation), standards of conduct and disclosure of internal independent oversight reports

Elements of a decision

The Executive Board may wish to: (a) take note of the draft accountability framework and enhanced oversight policy and (b) express continuing support for strengthening the oversight and assurance functions.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present document.

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I. Introduction to the UNDP accountability system

1. This document presents an enhanced and integrated UNDP accountability system that includes (a) a draft accountability framework, and (b) an oversight policy. The document responds to Executive Board decision 2007/32 on the updated strategic plan which requests a discussion and consideration of a draft UNDP accountability framework at the first regular session 2008. The document also responds to decision 2007/29, in which the Board requested UNDP, UNFPA and the United Nations Office for Project Services (UNOPS), respectively, to submit for consideration and approval at its first regular session 2008, an "oversight policy that also defines the concepts of accountability and transparency as well as disclosure and confidentiality" in the management of the operational activities of each organization.

Premise of UNDP accountability

2. Accountability in UNDP is premised on its responsibility to stakeholders, programme countries and donors, and on its contribution to the achievement of national development priorities. This is operationalized at the country level through its development activities and at the corporate level through its accountability to the Executive Board[1]. UNDP recognizes the increased international focus on accountability within the evolving aid and development environment. The accountability of UNDP is informed by General Assembly resolution 59/250 on the triennial comprehensive policy review, which articulates that national governments have the primary responsibility for the development of their countries, and for development outcomes. In addition, recipient governments bear the primary responsibility for coordinating external assistance on the basis of national strategies and priorities.

3. UNDP is accountable for contributing to those results in the most relevant, efficient and effective way. UNDP is therefore committed to enhancing accountability within the organization and in all its operations and partnerships, and to promoting shared goals between donors and recipients, in order to enhance participation and transparency.

Commitment of UNDP to accountability

4. Accountability[2] has always been embedded in the structure of UNDP and its operational procedures. While commitment to accountability has not changed; the context has been dynamic, and its formulation, application and enforcement have evolved in the last six decades. The commitment to institutional accountability has been further bolstered by the General Assembly, which established the basis for an accountability framework through resolution 57/270 B and the report of the Secretary-General (A/60/312)

5. The 1997 report to the Executive Board (DP/1997/CRP.13) provided a framework for further strengthening accountability mechanisms in the context of UNDP as a decentralized organization. The report called for the introduction of new management systems for planning and programming, financial resource management, human resource management, material resource management, oversight – including audit and evaluation – and the internal justice system, which the Executive Board noted at its annual session 1997. That strategy followed the harmonized terminology for results-based management proposed by the United Nations Development Group (UNDG). Against this background, UNDP updated

[1] The Executive Board of UNDP and UNFPA, comprised of 36 members, was created by General Assembly resolution 48/162 of 20 December 1993. Comprising both programme countries and donor countries, the geographic breakdown of membership was legislated by General Assembly resolution 48/162: 8 from African States, 7 from Asian and Pacific States, 4 from Eastern European States; 5 from Latin America and the Caribbean States; and 12 from Western European and other States

[2] The Organisation for Economic Co-operation and Development (2002) defines accountability as "the obligation to demonstrate that work has been conducted with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans".

some of its management processes and administrative procedures that taken together helped strengthen its accountability system further. Those improvements were integral to the ongoing efforts to update results-based management in UNDP.

6. The decentralized operations of UNDP enable its country offices to work with programme governments to find their own solutions to global and national development challenges. In such a decentralized environment, the need for ongoing enhancement of the UNDP accountability system is vital to ensuring full accountability and transparency[3] in UNDP operations.

7. UNDP has therefore established an organizational accountability system to support increased transparency, clarity and alignment of all organizational activities, in accordance with the guidance provided by international practice, standards and new institutional systems. This organization-wide accountability system is aligned with the updated strategic plan, 2008-2011. The organization will monitor, assess and report on progress toward the achievement of stated goals, compliance with best practice in oversight principles, and the effectiveness of programme evaluation measures.

Components of the enhanced, integrated accountability system

8. The UNDP accountability system includes the following:

(a) A draft **accountability framework** that describes organization-wide processes for monitoring, analysing, and improving performance in all aspects of organizational policy, management processes and operational procedures in support of the UNDP strategic plan; and

(b) An enhanced **oversight policy**, which details the specific procedures, tools and timing for providing UNDP management its stakeholders with independent assurance and evaluation at all levels of UNDP programmatic interventions.

9. The updated UNDP accountability system is designed to:

(a) ensure that programmes are aligned with the updated strategic plan in support of the internationally agreed development goals, including the Millennium Development Goals, while fully responding to national development priorities;

(b) ensure that planning is guided by a data-driven, results-oriented process that periodically analyzes data to assess results or progress toward goal achievement;

(c) ensure that managers and practitioners are held accountable for their decisions and actions;

(d) assess the effectiveness and efficiency of the management functions;

(e) ensure that programs adhere to system principles and other pertinent rules and regulations;

(f) implement a plan for addressing issues or problems identified during accountability reviews or audits; and

(g) Ensure planned review of accountability capabilities and areas for further organizational learning.

10. The accountability system relies on the strategic integration of multiple accountability activities that together form the basis for a structured, comprehensive review of programmes throughout UNDP. It serves as the primary source for performance standards, metrics, reporting requirements, and the monitoring and evaluation process that will ensure

[3] **Transparency** is the condition necessary for ensuring accountability that is achieved through (a) reliable, relevant and timely information about the activities of UNDP; (b) openness about policy intentions, formulation and implementation; and (c) proper assurance mechanisms.

that planning and implementation are guided by data-driven, results-oriented processes. This will be complemented by a planned review of accountability policies, processes and practices across the 10 elements of accountability, including risk management.

11. Accountability activities cover all UNDP activities in all locations and include a robust, independent, cyclical audit and evaluation schedule. The results of these accountability activities will document the extent to which goals are being met and how they will be used to drive continuous improvement throughout UNDP.

12. The updated UNDP accountability system recognizes current best practices in the public sector that specifically stress:

(a) The call for an increased focus on *results* and *performance-based management* by the public sector, in addition to addressing concerns with the integrity of governance;

(b) The call for providing greater *flexibility and autonomy* to government organizations and managers in order to achieve better results; and

(c) The importance of *transparency* as an essential feature of public sector accountability.

II. The UNDP accountability framework

A. Accountability principles

13. The updated strategic plan, through which programming, management and United Nations coordination results are established, is the basis of the UNDP accountability framework. It builds on a dynamic cycle of organizational and unit work planning, an enhanced, integrated performance monitoring and results reporting system on UNDP work in various areas, and progress in achieving agreed outputs. It is complemented by oversight policies and mechanisms with defined timelines for communication with the Executive Board and senior management, including the annual cycle of quality review on accountability and identification of any improvements required. Underpinning the accountability framework are the shared values and culture of accountability, supported by a set of guiding principles, formally documented functions, responsibilities, authority and management expectations, enabling policies, processes and accountability instruments to enhance capacity-building and continuous learning. The UNDP accountability framework will entail enhanced reporting to the Executive Board and UNDP partners to satisfy the legislative obligations of UNDP, internal monitoring of its performance against plans and budgets, and compliance with UNDP operational policies and procedures.

14. ***An integrated system of organizational, programmatic and staff accountability.*** The UNDP accountability framework is based on a hierarchy of three tiers of accountability with clearly defined responsibilities and supporting mechanisms:

(a) *Organizational accountability.* UNDP (through the Administrator and the Associate Administrator, individually and collectively) is accountable to the Executive Board for management direction and for achieving the agreed results of the updated strategic plan.

(b) *Programmatic accountability* builds on the premise that the accountability for overall development outcomes rests with the government, whereas there is joint accountability between the government and UNDP for the portion of programmes/outcomes funded by UNDP. At the country level, UNDP works collaboratively with programme country governments in determining agreed-upon development results.

The heads of UNDP offices, in turn, are accountable to the regional bureaux for contributions towards meeting the agreed-upon development results. Their accountability will include the applied development standards and approaches, country programme documents, action plans and annual work plans developed with the government or with programme outcome boards and project committees chaired by Government.

(c) *Staff accountability.* Individuals (including managers) in UNDP are accountable to the organization for expected ethical and professional conduct, and to their managers on how they discharge the authorities conferred upon or delegated to them in delivering agreed performance results and budgets

15. The UNDP accountability framework is guided by a set of ***six core accountability principles*** which form the foundation of the Accountability Framework and provide the basis for the implementing of enabling accountability policies, processes and instruments:

(a) *Mutual accountability and clarity of organizational responsibility.* UNDP as well as implementing partners and programme country governments have distinct responsibilities for delivering on their respective obligations. Within UNDP, clear organizational policies and behavioural guidelines that describe the personal skills and organizational competencies required to carry out UNDP work activities are established.

(b) *Alignment with corporate goals and accountability.* Managers are accountable for achieving corporate goals across units, irrespective of their functional positions.

(c) *Formal and consistent delegation of authority.* Authorities, responsibilities and accountabilities are clearly defined, formally delegated and consistent. This includes acknowledgement by all staff of:

(i) Segregation of duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing official transactions are segregated among individuals and between managers and responsible staff;

(ii) Self-informing duty. Authorities inform themselves for decision-making in accordance with recognized standards. For example, managers cannot claim ignorance of established policies or procedures.

(d) Cost-*benefit considerations in decision-making.* Related to the issue of proportionality between the cost of a process and the value of the intended result, this principle seeks to focus limited administrative resources on the highest priority issues.

(e) *Reliable and verifiable performance monitoring and reporting.* Authorities disclose their performance through adequate, regular reporting on results, with timely accounts and reliable financial and substantive reports. Documentation is clear and readily verifiable.

(f) *Highest standards of personal integrity (self-attestation and ethical conduct).* The exercise of authority by managers relies on the principle of self-attestation. For example, the manager submitting the results of a procurement process for approval is, by doing so, attesting that funds are available and that the procurement is relevant to project objectives. Individuals declare potential conflicts of interest according to ethical standards.

16. ***Clear set of key stakeholders and managerial expectations.*** In discharging its governance and oversight role, the Executive Board will hold UNDP for: (a) providing organizational vision and direction following consultations with its various constituencies, as articulated through the updated strategic plan and supporting plans; (b) implementing organizational policies and country, regional and

global development programmes presented to the Board; (c) delivering on the agreed performance targets, articulated in the development results framework and the results-based budgeting framework; (d) managing relations with UNDP partners; (e) demonstrating proper stewardship of resources entrusted; (f) ensuring adherence to ethical values consistent with the United Nations Charter; (g) exercising responsible risk management; (h) establishing quality assurance processes in programmatic and operational matters, including commissioning country-level evaluations; (i) applying lesson learned and managing change in the office; and (j) developing people to deliver on the UNDP mandate.

17. ***Shared values and culture of accountability.*** UNDP has in place a set of enabling accountability policies, procedures and instruments to strengthen accountability at the organizational, managerial and staff levels. The foundation of our actions (individually and collectively, as an organization) will be founded on shared values and the internalized culture of accountability to our stakeholders, our programme country governments and our staff.

B. Internal accountability arrangements

18. A number of policies, procedures and instruments inform the internal accountability arrangements. These guide UNDP staff in their daily work and are divided into two areas: process management and staff management.

Process management

19. The *UNDP regulatory framework* is approved by the Executive Board/General Assembly, and includes Financial Regulations and Rules, staff rules and decisions of the Executive Board.

20. The *UNDP prescriptive content management system* provides policy clarification, operational standards and procedural guidance to UNDP offices in the execution of UNDP core business processes. It is derived from the regulatory framework above. These include guidance on target-setting and reporting under the results management framework, results based budgeting, financial resource management, procurement and contract management, human resource and payroll management, security, etc.

21. *Internal control provides a foundation for accountability. The UNDP internal control framework* (formalized in its current form in 2005) defines UNDP-specific policies, procedures, monitoring and communication activities, standards of behaviour and other activities, including: (a) Execute orderly, ethical, economical, efficient and effective operations; (b) Safeguard assets from inappropriate use and loss from fraud and error; (c) Help ensure the quality of internal and external reporting, through the maintenance of proper records and information flows; and (d) Ensure compliance with applicable laws, regulations and internal policies. The framework prescribes responsibilities, authorities, and accountability of managers and staff in different roles in the execution of programmatic, financial, procurement, human resources and payroll functions. In addition, UNDP has instituted numerous control mechanisms to strengthen its preventive capabilities, including role-based user access rights and accounts management, user log-in account authentication, 'audit trails' in Atlas, and implementation of a leading industry monitoring and detection tool for tracking unusual transactions. Oversight of the application by country offices of the internal control framework and other control mechanisms is provided by the regional bureaux.

22. *Programme formulation, project design, monitoring, evaluation and reporting.* The project in UNDP country offices is the building-block of programme formulation at the country, regional and global levels in support of the strategic plan. The country programme action plan and the annual work plan constitute the legally binding obligation and responsibilities of UNDP, agreed upon with governments and respective implementing partners, subject to receipt of the necessary funding. UNDP will provide support to ensure the quality assurance of project design and implementation of *regular monitoring and evaluation activities, as well as reporting,* including management responses to the evaluation reports. The National Coordinating Agency signs the Country Programme Action Plan.

23. *Managing key audit priorities at the office and headquarters levels.* Fifteen top audit priorities identified by UNDP management in 2006 are used for monitoring by the Operations Group chaired by the Associate Administrator. It also provides UNDP the mechanism to explore alternative strategies to address the recurring systemic issues underpinning these audit observations. The 'regional shared accounting service centre' concept is one example of how UNDP is addressing structural and systemic issues in providing accounting support services to offices lacking that capacity, either temporarily or on a long-term basis.

Enterprise risk management and security management.

24. Risk management is an essential element of good corporate governance and organizational accountability. UNDP has therefore developed a corporate 'enterprise risk management' framework (Atlas) that builds upon the growing body of knowledge about risk by consolidating and aligning UNDP risk management procedures and tools. It includes processes to embed Atlas into UNDP planning, operational and management practices. Furthermore, it integrates all elements of existing UNDP risk management activities (in areas such as procurement, security, finance, governance of information and communications technology, country office risk assessments by the Office of Audit and Performance Review (OAPR) and UNDP/Global Environment Facility) into one comprehensive system that enhances effective strategic planning and decision-making.

25. The 'enterprise risk management' system is being mainstreamed and will be rolled out in 2008. This will require country office senior managers to be accountable for risk management to their regional bureaux; senior managers of regional bureaux to be accountable to the Associate Administrator; and senior managers of all other headquarters units to be accountable to their respective bureau management or directly to the Associate Administrator.

26. *Financial (organizational) disclosure.* All relevant documentation on UNDP budgets for management and programme activities approved by the Executive Board are available at http://www.undp.org/execbrd. The financial report and audited financial statements, the annual review of the financial situation and the annual report of the office of audit and performance review of UNDP are accessible to Member States and the public.

27. *Procurement disclosure.* UNDP espouses the principles of transparent procurement and fair competition. It is prescribed that all notices for contracts in excess of USD$100,000 are posted on the public web site.

28. *Public information disclosure.* The UNDP public disclosure policy is accessible through www.undp.org. Upon request, information about UNDP operations is made available within 30 business days. By the end of 2007 all UNDP country office websites will be required to meet a minimum standard, including documentation relevant to country-level operations. It is expected that this might

initially require assessment and guidance from headquarters so as to ensure data availability and quality in the course of 2008.

Staff management

29. The United Nations Charter, and article I of the Staff Regulations of the United Nations and Staff Rules, form the basis for ethical conduct in UNDP. The following paragraphs outline key staff accountability policies, procedures and instruments.

30. *Staff performance plan and unit work plan.* The Results and Competency Assessment is the primary performance planning, assessment and management tool of UNDP for 'results and competencies', including learning. It has been enhanced to enable staff to relate their goals and performance indicators more closely to the unit work plan and key business results areas. The *Career Review Group* in each UNDP office is responsible for performance review and development coaching.

31. *Global learning management system and investment in staff professional certification programmes in functional areas.* UNDP is leveraging its *global learning management system* to support staff development and self-paced online learning by UNDP staff in all offices. Our 'Virtual Development Academy' programme connects staff around the world in a virtual learning environment for knowledge exchange and learning. Since 2005, UNDP has launched *practice-based professional certification programmes,* which provide staff with the opportunity to be externally certified in key business areas in UNDP.

32. *Anonymous, confidential reporting of allegations of sexual harassment, abuse of authority or fraud in place.* OAPR supports a *hotline* for anonymous and confidential reporting. OAPR is involved in investigations, and, based on its findings, the UNDP Legal Support Office recommends disciplinary action for staff who violate the code of conduct. Instances of misconduct have been addressed through the *UNDP disciplinary procedure.*

33. *Protection policy and procedures in place.* UNDP protects staff who report allegations of wrongdoing from retaliation or other harm. UNDP relies on the principles enshrined in the Staff Regulations of the United Nations and Staff Rules to discipline staff who retaliate against those who have reported allegations of wrongdoing or cooperated in investigations. Specific protection from retaliation was first codified in 2005, when UNDP issued its guidelines on dealing with harassment, sexual harassment and abuse of authority.

34. *Policy and training on UNDP code of ethics being formalized.* An interactive online ethics training module is being piloted in 2007. It deals with personal integrity, integrity in the workplace, integrity in client relations with Member States, suppliers, the public, the media and reporting allegations of staff wrongdoing. A role-based learning plan is being developed to ensure personalized training. The Legal Support Office provides advice on a case by case basis on the application and interpretation of the Staff Regulations and Rules of the United Nations and other human resources-related policies.

35. *Financial disclosure of senior officials and declaration of impartiality for staff with procurement and treasury functions.* The UNDP Administrator issued the *policy on financial disclosure* in 2007, requiring critical staff to file financial disclosure statements at the D-1/L-6 level and above, including procurement officers; staff with buyer and approver roles in Atlas; staff whose duties relate to the investment of assets; staff with direct access to confidential procurement or investment information; the Chairperson (and alternate) of the Advisory Committee on Procurement at headquarters; and the Contracts, Assets and Procurement Committee in country and regional offices. Staff at the Assistant Secretary-General level and

above adhere to the disclosure policy stipulated by the United Nations Secretariat for senior officials.

36. *Dissemination of information regarding disciplinary cases involving UNDP.* UNDP believes that transparency is a crucial feature of any justice system. With that in mind, since 2001 the Administrator has released the results of the previous year's *disciplinary cases concerning staff members* from UNDP, UNFPA and other organizations in which UNDP plays a role in staff administration. Sharing this information is intended to increase awareness of how our internal justice system works, as well as the standards of conduct and levels of accountability expected of all staff.

37. *Due process granted in disciplinary and appeals procedures.* Due process, which is available to staff members at different levels of the internal justice system, includes the following: (a) administrative review; (b) Joint Appeals Board; (c) United Nations Administrative Tribunal; and (d) Disciplinary Committee.

38. *Grievance procedure available outside formal channels.* The Office of the Joint Ombudsperson provides an informal grievance procedure that enables individuals to contact the Ombudsperson, at any stage, for help on any work-related problem where a perspective outside formal channels would be helpful. Guided by the highest principles of ethics and by a concern for and commitment to justice and fairness, the Ombudsperson fosters a harmonious, productive work environment, thereby contributing to greater organizational and operational efficiency. The annual report, submitted to the Administrator and circulated to all staff and management, reflects the type and number of grievances handled and contains recommendations for changes in policies and procedures, in particular where systemic issues have contributed to the problem. The work of the Office of the Joint Ombudsperson, commended by the Redesign Panel, has established a firm basis for continued effective coverage of the funds and programmes in the integrated ombudsman office in pursuance of General Assembly resolution 62/261 on the internal justice system.

C. Monitoring and reporting mechanisms

39. A number of programmatic, operational, audit and evaluation arrangements exist in UNDP to support reporting on the updated strategic plan.

(a) *Key existing stakeholders monitoring and reporting mechanisms in place in UNDP.* The key stakeholders' reports include the annual strategic plan report of the Administrator on performance results – including review of the recommendations of the Joint Inspection Unit – as well as others, such as the report on financial situation, the audit reports (internal and external) and the evaluation report, programming arrangements and the biennial support budget.

(b) *Internal monitoring and reporting mechanisms in place in UNDP.* Internal monitoring tools consist of electronic reporting aimed at helping managers perform their duties and informing decisions on a real-time basis. Those mechanisms include, inter alia, tools to measure client satisfaction, organizational efficiency, learning and growth, financial resources and programme quality, and various surveys.

(c) *Programme results and performance information reporting.* In decision 2006/9 the Executive Board decided that all relevant country programme results and performance information would be consolidated and reported to the Board at the end of the country programme cycle. It will include an analysis of results achieved, relevant lessons learned and best practices noted. In addition,

summaries of independent evaluation of outcomes and audit shall be part of the new draft country programme documents or any extension of a current programme.

(d) *Reporting mechanisms*. The performance-based indicators for monitoring the three dimensions of UNDP work: development, coordination, and management will be presented to the Executive Board in its annual session 2008. This is the basis for a monitoring and evaluation framework of the strategic plan. Tools already in place will be consolidated and refined to establish an integrated, coherent system to support results management throughout the organization, aligned with the strategic plan. The information management system will enable the organization to access, interpret and analyse the same set of data, thereby enhancing transparency and effectiveness.

40. UNDP will provide the Executive Board, at its annual session 2010, with a comprehensive and analytical results-based mid-term review of the updated strategic plan. This review will not only report on management, coordination and development outputs but will analytically assess achievements in terms of development outcomes, verified with survey and evaluation data, and identify lessons learned and best practices. In addition, UNDP will include in the Administrator's annual report to the annual session of the Executive Board updates on the operationalization of the updated strategic plan.

III. UNDP oversight policy

41. This chapter responds to decision 2007/29, in which the Executive Board requested UNDP, UNFPA and UNOPS, respectively, to submit for consideration and approval at the first regular session 2008 an "oversight policy that also defines the concepts of accountability and transparency as well as disclosure and confidentiality" in the management of the operational activities each organization. In addition, the Board requested UNDP to clarify the role of the Audit Advisory Committee, including its independence, relationship with the Executive Board, and the appointment process contained in the oversight policy.

42. External and internal oversight as described in this section, are central to the enhanced, integrated UNDP accountability system.

43. The oversight function has traditionally being associated with legislative and financial accountability. The scope of oversight has been enlarged over time to address controls regarding aspects of risks, relevance/importance, effectiveness, efficiency, and impact of operations.

44. Oversight4 constitutes a set of activities in which independent internal and external bodies provide assurances to the Administrator, the Executive Board and stakeholders that there are functional systems of internal controls ensuring that:

[4] **Oversight (extracted from United Nations Evaluation Group report 2007, based on A/60/883/Add.1)**

- "Oversight is a key activity in governance. The Assembly of Member States of the entity would have oversight over the governing body, the governing body oversight over management, senior management oversight over lower level management as well as all operational activities of the entity.
- The primary principle of oversight is the separation of duties between executive management and the governing body or bodies.
- Oversight activities consist of monitoring, evaluating and reporting on the entity's performance. It also encompasses the auditing, internal and external, of the entity's financial results and effectiveness of its internal control and cases of fraud or malpractice.

(a) the organizations are run in accordance with legislative mandates (legislative accountability);
(b) the funds provided are fully accounted for (financial accountability);
(c) the activities are conducted in the most efficient, effective manner, and programme overlaps, duplications and waste of resources are avoided, as well as ensuring that results are achieved (operational accountability); and
(d) staff and other officials adhere to standards of professionalism and ethics (ethical accountability).

A. Oversight responsibilities

45. **Oversight policy** is understood to provide the Executive Board and the Administrator with analysis and recommendations to allow them to execute their respective oversight functions.

The Executive Board

46. General Assembly resolution A/RES/48/162 describes the responsibility of the Executive Board as "providing inter-governmental support to and supervision of the activities of each fund or programme in accordance with the overall policy guidance of the General Assembly and the Economic and Social Council, in accordance with their respective responsibilities set out in the Charter, and for ensuring they are responsive to the needs and priorities of recipient countries."

47. The responsibilities are further elaborated, in paragraph 22 of A/RES/48/162, as being to "give guidance ... on the work of each organization", "to ensure that activities and operational strategies ... are consistent with the overall policy guidance set forth by the Assembly and the Council", to "monitor performance", to "decide on administrative and financial plans and budgets", to "encourage and examine new programme initiatives" and to "submit annual reports to the Council".

48. The Executive Board, in exercising its own accountability and oversight responsibilities effectively *at the strategic level* requires *independent objective assurances and reports* that decisions made at the policy level are implemented, resources are properly and ethically used for the purposes provided and that management is successfully fulfilling the objectives set by the policymakers.

The Administrator

49. The Administrator is responsible for the operations of UNDP and is accountable to the Executive Board for all phases and aspects of the management and implementation of UNDP activities, including accountability for the associated funds and programmes.

B. Institutional arrangements

50. Oversight includes:

(a) Measures taken to ensure that all programme activities and organizational units of the organization are subject to independent oversight in accordance with professional standards and best practices;

- Oversight is carried out through processes and procedures designed by the organization's executive management and approved by the governing body.
- Oversight ensures management accountability for providing the direction planning and monitoring of policies and procedures, financial controls plus follow-up and implementation of audit recommendations."

(b) The results of the independent oversight work communicated to the relevant and concerned parties regularly as prescribed, with mutual accountability in so doing; and

(c) Management action taken on implementation of oversight recommendations.

51. Oversight[5] is organized institutionally through:

(a) Independent external oversight (United Nations Board of Auditors and Joint Inspection Unit) and the Audit Advisory Committee; and

(b) Independent internal oversight (Office of Audit and Performance Review and Evaluation Office).

B.1 Independent external oversight

The United Nations Board of Auditors and the Joint Inspection Unit

52. The Board of Auditors, as the external auditor of the accounts of the United Nations Programmes and Funds – in accordance with article VII of the United Nations Financial Regulations and the annex thereto – which also governs UNDP, conducts independent audits and issues a report to the General Assembly on: (a) the audit of the financial statements and relevant schedules relating to the accounts of UNDP for the financial period; (b) compliance of transactions with the Financial Regulations and legislative authority; and (c) such information as the Board of Auditors deems necessary with regard to matters of the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organisation.

53. The Joint Inspection Unit, established by the General Assembly, is empowered to investigate into all matters bearing on the efficiency of services and the use of funds in the United Nations system. Its reports are submitted to the General Assembly and the governing bodies of the specialized agencies, funds and programmes of the United Nations.

The Audit Advisory Committee

54. The role of the Audit Advisory Committee, as an independent body, is to assist the Administrator in fulfilling his responsibilities regarding financial management and reporting; internal and external audit matters; risk management arrangements; and systems of internal control and accountability. The primary role of the Committee is to advise the Administrator on the conduct of management responsibilities, taking into consideration the Financial and Staff Regulations and Rules as well as policies and procedures applicable to UNDP and its operating environment.

55. The Administrator appoints the five members of the Audit Advisory Committee; all members are external to UNDP and among the five members a Chairperson is designated by the Administrator. A term of office for members is two years renewable once.

56. It is proposed that the terms of reference of the Audit Advisory Committee be modified along the following lines:

(a) Assess the work programme of OAPR and the resources required to implement the work programme and making recommendations to the Administrator in that regard;

(b) Include an important role in the appointment and dismissal of the Director of OAPR (the Audit Advisory Committee has been involved in the task of appointing the new OAPR Director); and

(c) Present its annual report as an official document to the Executive Board.

B.2 Independent internal oversight

57. The Director of Office of OAPR and Director of Evaluation Office report to the Administrator with the purpose of independently advising management. Each office reports to the Board independently on its findings and concerns.

Office of Audit and Performance Review

58. The *internal audit* responsibilities of OAPR are prescribed in Financial Rule 103.02. With due regard for the need for full operational independence of the audit function, the Director of OAPR: (a) decides on the annual internal audit plan; (b) submits reports to senior management; and (c) submits an annual report to the Executive Board on its activities, systematic weaknesses and problems identified, and any other significant issues, as deemed appropriate.

59. The investigation responsibilities of OAPR functions through hotlines and other report systems to enable staff and others to report allegations or instances of misconduct, wrongdoings, malfeasance, fraud, corruption, mismanagement, abuse of authority, harassment and other such cases. Investigations are conducted independently and findings are submitted to the Legal Office for appropriate action.

60. A 'charter of OAPR', incorporating the principles mentioned above, is being finalized, taking into account recommendations from a quality assurance review of OAPR.

Evaluation Office

61. The mandated responsibility of the Evaluation Office is to support the Executive Board in its oversight and the Administrator in his substantive accountability. Evaluation also contributes to organizational learning through provision of systematic, independent assessment of the results, effectiveness and impact of the substantive activities of the programme, including the special purpose funds under the Administrator's responsibility.

62. The responsibilities of the Evaluation Office as custodian of the evaluation function, prescribed in the Evaluation Policy (DP/2006/28) include: (a) prepare and periodically review and update the UNDP policy for evaluation; (b) submit its annual plan to the Executive Board; (c) report annually to the Executive Board on the function, findings and recommendations of evaluations, on compliance, quality assurance, and follow-up to evaluations conducted by UNDP and its associated funds and programmes; (d) maintain a system to record management responses to all evaluations; and (e) alert senior management to emerging evaluation-related issues of corporate significance.

63. Management responses are prepared for all evaluations.

B.3 Professional standards for internal independent oversight

Audit standards

64. Audit in UNDP adheres to the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Audit (IIA), which "provide guidance for the conduct of internal auditing at both the organizational and individual auditor levels. They are the result of careful study, consultation, and deliberation about the basic principles for providing internal audit services" (IIA website). In subscribing to the IIA standards, OAPR is expected to uphold to a code of conduct as well as attribute performance standards by which its work will be performed and reported on.

65. Quality assurance is undertaken through independent periodic peer reviews consistent with professional standards and practices of the Institute of Internal Auditors to assess the OAPR mandate, structure, activities and resources against best practices in the internal audit industry.

Investigation standards

66. The investigation function in UNDP is performed in conformity with the Uniform Guidelines for Investigations endorsed by the 4th Conference of International Investigators.

Evaluation standards

67. Evaluation in UNDP is governed by the Evaluation policy (DP/2006/28) approved by the Executive Board in 2006, which is in line with United Nations Evaluation Group Norms and Standards for Evaluation in the United Nations. Those standards relate to independence, intentionality, transparency, ethics, impartiality, quality, timeliness and utility. The agenda for evaluation is approved by the Executive Board, and the Director of the Evaluation Office is solely responsible for the content of reports.

68. Quality assurance is undertaken by the Evaluation Office to set evaluation standards for planning, conducting and using evaluations, developing and disseminating methodology and establishing the institutional mechanisms for applying the standards

Ethical standards .

69. The UNDP legal framework for non compliance with United Nations standards of conduct provides a comprehensive expression of the application of United Nations Staff Regulations 10.1 and 10.2, and chapter X of the Staff Rules, to UNDP, and updates and replaces the accountability and disciplinary measures and procedures that had been in effect since January 2004. The updated legal framework provides: (a) Expanded provisions defining the rights and obligations of staff in reporting wrongdoing, including regarding whistleblower protection and the responsibilities of the Ethics Advisor in that regard; (b) A more detailed definition of the delegation of authority, including the authority of the Associate Administrator in the application of the disciplinary process and measures; and (c) Clarification of the due process rights of staff members in the course of an investigation and upon its completion.

70. The ethics function in UNDP was established effective 1 December 2007. The function will be fully in line with the Secretary General's bulletin "United Nations system-wide application of ethics: administered organs and programmes", issued on 3 December 2007.

Risk

71. OAPR formulates country office and headquarters unit audit plans based on quantitative and qualitative analysis and assessment of key audit risks (DP/2007/37). The risk assessment process consists of: (a) risk identification, (b) risk measurement, and (c) risk prioritization. The specific risk scoring is carried out by OAPR with the participation of regional bureaux/country offices, as appropriate.

72. Two types of factors are used for the risk assessment of UNDP country offices.

(a) Quantitative factors (measurable and objective):

(i) Total programme delivery by country office;
(ii) Total programme resources allocation;
(iii) Number of months of strategic reserve;
(iv) Total office budget allocation;
(v) Number of authorized personnel;
(vi) Number of projects;
(vii) Number of purchase orders; and
(viii) Time elapsed since last internal and/or external audit.

(b) Qualitative factors (not quantifiable, but having an influence on risks in the actual operations and in the management of resources:

(i) Country offices in special development or political situations;
(ii) Turnover at country office senior management level;
(iii) Stakeholders' concerns;
(iv) Anticipated changes in country office portfolio;
(v) Results of NGO/NEX evaluations and outsourced DEX audits;
(vi) Results of recent investigations by OAPR; and
(vii) Last OAPR audit rating.

B.4 Disclosure of internal independent oversight reports

Audit disclosure

73. The High-Level Committee on Management, on 20-21 September 2007, endorsed the recommendation of the representatives of Internal Audit Services of the United Nations on disclosure of internal audit reports, which favoured the option that "internal audit reports will be disclosed to Members States, subject to conditions/criteria defined in a policy that should not be applied retrospectively. This option could include giving Member States the possibility to read internal audit reports in the Internal Oversight Service office, and ask questions to the Chief Audit Executive as needed. Audit/Oversight committees could provide a useful conduit through which to draw the attention of the governing bodies to any internal audit reports of particular concern. Notwithstanding the options above, the standards and code of ethics contained in the Professional Practices Framework of the Institute of Internal Auditors (IIA) would allow in exceptional circumstances5, the chief audit executive to bring a report to the attention of Member States".

74. UNDP has actively contributed to this discussion and sees value in providing access to information while recognizing the primary value of audit reports as a management tool.

[5] 'Exceptional circumstances' refers to possible instances when senior management at the Administrator and Associate Administrator level have breached UNDP regulations or internal controls or have caused a situation that is detrimental to UNDP. In such cases the Director of OAPR has the authority and discretion to report the matter directly to Member States in accordance with IIA standards.

75. Following approval of the High-Level Committee recommendation by the Chief Executives Board, UNDP intends to implement the decisions under the following modality: The Administrator would make a particular independent audit report available on the basis of a specified request made by a Member State and would delegate the modalities of implementing the disclosure policy to the Associate Administrator. The Member State would be entitled to review the report in the offices of OAPR and make such notes as might be necessary, but would not be permitted to make copies of the report. In the spirit of cooperation among member countries, the Member State to whom an independent audit report has been made available would make use of the information in a judicious way and refrain from taking actions that would result in general disclosure of the information contained therein. In making the report available, the need would be taken into account to maintain confidentiality with respect to issues that might affect staff, third parties or a country government/administration; or to avoid compromising pending action. The modality would not be retroactive, and would come into force pursuant to approval by the Executive Board of the proposed UNDP oversight policy set forth in the present document.

Evaluation disclosure

76. All evaluations and their management responses are publicly available.

C. Oversight policy and the Executive Board

77. The Executive Board adopts its annual work plan at the first regular session each year. A draft work plan, containing items and reports to be considered by the Board, has been presented for discussion at the second regular session the previous year. The proposed agenda items reflect the role of the Executive Board as outlined in paragraph 44 to 46 above.

78. Certain standing items and reporting requirements contained in the agenda of the Executive Board which are derived from Governing Council and Executive Board decisions:

First regular session

(a) Implementation of recommendations of United Nations Board of Auditors
(b) Report to ECOSOC

Annual session

(a) Annual report of the Administrator
(b) Joint UNDP/UNFPA report on the recommendations of the Joint Inspection Unit
(c) Annual report and plan on evaluation
(d) Annual internal audit and oversight report
(e) Annual report of the Audit Advisory Committee
(f) Annual report of the United Nations Board of Auditors
(g) Comment on draft country programme documents

Second regular session

(a) Annual review of the financial situation
(b) Information on United Nations system technical cooperation expenditures
(c) Approval of country programme documents
(d) Programming arrangements
(e) Report of the ACABQ on UNDP estimates for the biennial budget (biennially)

D. Strengthened capacity for the oversight and assurance functions

79. UNDP intends to strengthen its audit and evaluation functions towards the Joint Inspection Unit recommendations on broad funding levels for oversight functions of United Nations organizations, contained in report JIU/REP/2006/2. In that context the biennial support budget, 2008-2009, contains specific proposals for consideration by the Executive Board.